Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

西部水泥

WEST CHINA CEMENT LIMITED

中國西部水泥有限公司

(Incorporated in Jersey with limited liability, with registered number 94796)

(Stock Code: 2233)

2023 ANNUAL RESULTS ANNOUNCEMENT PROPOSED AMENDMENTS TO THE MEMORANDUM AND ARTICLES OF ASSOCIATION AND PROPOSED ADOPTION OF THE AMENDED AND RESTATED MEMORANDUM AND ARTICLES OF ASSOCIATION

Financial highlights:

RMB' Million (unless otherwise specified)	**Year ended 31 December 2023 (million)**	Year ended 31 December 2022 (million)	% Change
Total Cement and Clinker Sales Volume (million tons)	**20.5**	19.3	6.2%
Cement Sales Volume (million tons)	**19.8**	18.5	7.0%
Aggregates Sales Volume (million tons)	**4.05**	4.61	(12.2%)
Commercial Concrete sales volume (million cubic meters)	**1.91**	1.74	9.8%
Revenue	**9,020.9**	8,489.1	6.3%
Gross Profit	**2,460.0**	2,181.8	12.8%
EBITDA[1]	**2,948.6**	3,176.4	(7.2%)
Profit Attributable to Owners of the Company	**421.3**	1,214.7	(65.3%)
Basic Earnings Per Share	**7.7**	22.4 cents	(65.6%)
Proposed Final Dividend	**2.3**	6.7 cents	(65.7%)
Gross Profit Margin	**27.3%**	25.7%	1.6 ppt
EBITDA Margin	**32.7%**	37.4%	(4.7 ppt)

	31 December 2023	31 December 2022	% Change
Total Assets	**32,902.9**	30,239.3	8.8%
Net Debt[(2)]	**8,556.1**	7,487.1	14.3%
Net Gearing[(3)]	**60.4%**	55.9%	4.5 ppt
Net Assets Per Share	**260 cents**	246 cents	5.7%

Notes:

(1) EBITDA equal to profit before tax plus finance costs, depreciation and amortisation, impairment losses, loss on derecognition of a subsidiary, provision for administrative penalty and fair value changes less interest income, net foreign exchange gains/(losses), hyperinflation restatement and gain on disposal of a joint venture.

(2) Net debt equal to borrowings, medium-term notes and senior notes less bank balances and cash and restricted/pledged bank deposits.

(3) Net gearing is measured as net debt to equity.

The board ("Board") of directors ("Directors") of West China Cement Limited (the "Company") is pleased to announce its annual results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2023 together with the comparative figures for the corresponding year of 2022 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	NOTES	**2023** *RMB'000*	2022 *RMB'000*
Revenue	*2*	**9,020,901**	8,489,135
Cost of sales		**(6,560,882)**	(6,307,305)
Gross profit		**2,460,019**	2,181,830
Other income	*3*	**142,719**	451,912
Selling and marketing expenses		**(132,386)**	(75,197)
Administrative expenses		**(796,404)**	(604,845)
Other expenses		**(200,429)**	(64,937)
Other gains and losses, net	*4*	**(277,668)**	(52,454)
Impairment losses under expected credit loss model, net of reversal	*5*	**(18,489)**	(68,885)
Share of result of a joint venture		**(3,403)**	(6,407)
Interest income	*6*	**88,189**	168,898
Finance costs	*7*	**(307,839)**	(416,616)
Profit before tax	*8*	**954,309**	1,513,299
Income tax expense	*9*	**(268,608)**	(169,184)
Profit for the year		**685,701**	1,344,115

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME — *Continued*
For the year ended 31 December 2023

	NOTES	**2023**	2022
		RMB'000	*RMB'000*
Other comprehensive expense for the year			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**(61,369)**	(35,713)
Total comprehensive income for the year		**624,332**	1,308,402
Profit for the year attributable to:			
— Owners of the Company		**421,278**	1,214,746
— Non-controlling interests		**264,423**	129,369
		685,701	1,344,115
Total comprehensive income attributable to:			
— Owners of the Company		**369,701**	1,190,988
— Non-controlling interests		**254,631**	117,414
		624,332	1,308,402
Earnings per share			
— Basic (RMB)	*10*	**0.077**	0.224
— Diluted (RMB)	*10*	**0.077**	0.224

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

	NOTES	2023 RMB'000	2022 RMB'000
Non-current assets			
Property, plant and equipment		**20,809,466**	18,195,355
Investment properties		**47,059**	47,059
Right-of-use assets		**833,809**	827,334
Mining rights		**1,728,434**	1,528,031
Other intangible assets		**430,705**	543,560
Interest in a joint venture		**–**	3,403
Interest in an associate		**8,000**	–
Equity investment at fair value through profit or loss ("FVTPL")		**37,128**	92,593
Loan receivables	*11*	**396,109**	401,847
Deferred tax assets		**165,980**	190,639
Prepayments for right-of-use assets		**26,600**	38,511
Prepayments for mining rights		**9,500**	9,500
Deposits paid for acquisition of property, plant and equipment		**395,357**	858,013
Other deposits		**134,637**	18,472
Amount due from a joint venture		**–**	634,827
Pledged/restricted bank deposits		**70,000**	–
		25,092,784	23,389,144
Current assets			
Inventories		**1,398,662**	1,488,858
Properties under development		**944,082**	–
Trade and other receivables and prepayments	*12*	**3,175,323**	2,990,695
Loan receivables	*11*	**241,668**	324,654
Pledged/restricted bank deposits		**1,127,669**	621,627
Cash and cash equivalents		**922,662**	1,424,275
		7,810,066	6,850,109

CONSOLIDATED STATEMENT OF FINANCIAL POSITION — *Continued*
At 31 December 2023

	NOTES	**2023** ***RMB'000***	2022 *RMB'000*
Current liabilities			
Borrowings	*13*	**3,632,813**	3,156,533
Medium-term notes	*15*	**–**	714,431
Trade and other payables	*14*	**5,125,429**	4,877,402
Dividend payables		**129,415**	88,410
Contract liabilities		**721,709**	453,687
Deferred income		**4,850**	3,527
Income tax payable		**195,439**	181,006
		9,809,655	9,474,996
Net current liabilities		**(1,999,589)**	(2,624,887)
Total assets less current liabilities		**23,093,195**	20,764,257
Non-current liabilities			
Borrowings	*13*	**2,719,404**	1,457,917
Asset retirement obligation		**358,178**	335,693
Deferred tax liabilities		**409,578**	459,456
Deferred income		**20,804**	28,254
Senior notes	*16*	**4,324,193**	4,204,158
Other long-term payables		**1,093,088**	887,028
		8,925,245	7,372,506
Net assets		**14,167,950**	13,391,751
Capital and reserves			
Share capital		**141,837**	141,837
Share premium and reserves		**12,141,608**	11,889,516
Equity attributable to owners of the Company		**12,283,445**	12,031,353
Non-controlling interests		**1,884,505**	1,360,398
Total Equity		**14,167,950**	13,391,751

NOTES:

(All amounts in RMB thousands unless otherwise stated)

1. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

New and amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following new and amendments to IFRSs issued by International Accounting Standards Board ("IASB") for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2023 for the preparation of the consolidated financial statements.

IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	Insurance Contracts
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform-Pillar Two model Rules
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies

Except as described below, the application of the other new and amendments to IFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Impacts on application of amendments to IAS 12 Income Taxes International Tax Reform-Pillar Two model Rules

The Group has applied the amendments for the first time in the current year. IAS 12 is amended to add the exception to recognising and disclosing information about deferred tax assets and liabilities that are related to tax law enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development (the "Pillar Two legislation"). The amendments require that entities apply the amendments immediately upon issuance and retrospectively. The amendments also require that entities to disclose separately its current tax expense/income related to Pillar Two income taxes in periods which the Pillar Two legislation is in effect, and the qualitative and quantitative information about its exposure to Pillar Two income taxes in periods in which the Pillar Two legislation is enacted or substantially enacted but not yet in effect in annual reporting periods beginning on or after 1 January 2023.

The Group is yet to apply the temporary exception during the current year because the Group's entities are operating in jurisdictions which the Pillar Two legislation has not yet been enacted or substantially enacted. The Group will disclose known or reasonably estimable information that helps users of financial statements to understand the Group's exposure to Pillar Two income taxes in the Group's annual consolidated financial statements when the Pillar Two legislation is enacted or substantially enacted and will disclose separately current tax expense/income related to Pillar Two income taxes when it is in effect.

1. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") — *Continued*

New and amendments to IFRSs that are mandatorily effective for the current year — *Continued*

Impacts on application of Amendments to IAS 1 and IFRS Practice Statement 2 Disclosure of Accounting Policies

The Group has applied the amendments for the first time in the current year. IAS 1 *Presentation of Financial Statements* is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

IFRS Practice Statement 2 *Making Materiality Judgements* (the "Practice Statement") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments has had no material impact on the Group's financial positions and performance but has affected the disclosure of the Group's accounting policies set out in Note 3 to the consolidated financial statements.

Amendments to IFRSs in issue but not yet effective

The Group has not early applied the following amendments to IFRSs that have been issued but are not yet effective:

Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback[2]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[2]
Amendments to IAS 1	Non-current Liabilities with Covenants[2]
Amendments to IAS 7 and IFRS 7	Supplier Finance Agreements[2]
Amendments to IAS 21	Lack of Exchangeability[3]

[1] Effective for annual periods beginning on or after a date to be determined.
[2] Effective for annual periods beginning on or after 1 January 2024.
[3] Effective for annual periods beginning on or after 1 January 2025.

Except as described below, the directors of the Company anticipate that the application of all amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

1. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") — *Continued*

Amendments to IAS 21 Lack of Exchangeability

The amendments specify when a currency is exchangeable into another currency and when it is not and how an entity estimates the spot exchange rate when a currency is not exchangeable. In addition, the amendments require disclosure of information that enables users of its financial statements to evaluate how a currency's lack of exchangeability affects, or is expected to affect, the entity's financial performance, financial position and cash flows.

The amendments are effective for annual reporting periods beginning on or after 1 January 2025, with early application permitted. The application of the amendments may have impact on the Group's financial position and performance of the Group in the foreign operation which is in hyperinflation economy (as disclosed in note 3) in which the local currency may not be exchangeable. The directors of the Company is currently assessing the impact on such application.

2. REVENUE AND SEGMENT INFORMATION

	2023	2022
	RMB'000	*RMB'000*
Types of products and services		
Sales of cement and related products	**8,710,845**	8,153,177
Provision of construction and installation service	**14,370**	93,882
Sales of plastics bags	**32,474**	54,665
Trading of cement-related raw materials	**46,115**	17,220
Sales of gypsum	**45,522**	–
Others	**171,575**	170,191
	9,020,901	8,489,135

Performance obligation for contracts with customers and revenue recognition policies

Revenue is recognised at a point in time when control of the goods has been transferred to the customer, being at the point the goods are delivered to the customer, except that revenue from provision of construction and installation service is recognised over time by reference to the progress towards complete satisfaction for construction and installation service.

All contracts are for periods of one year or less, as permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

Operating Segments

The Group is principally engaged in the production and sale of cement and related products, both in the PRC and overseas. Information reported to the Chief Executive Officer, being the chief operating decision maker ("CODM"), for the purposes of resource allocation and assessment of segment performance focuses on different regions.

In the current year, the Group reorganised its internal reporting structure which resulted in changes to the composition of its reportable segments. The segment changed from the location of the operations to the location of the markets. Prior year segment disclosures have been re-presented to conform with the current year's presentation.

2. **REVENUE AND SEGMENT INFORMATION** — *Continued*

Operating Segments — *Continued*

Specifically, the Group's reportable segments under IFRS 8 are as follows:

1. The PRC markets

2. Overseas markets

(i) Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segments:

For the year ended 31 December 2023

	The PRC markets *RMB'000*	Overseas markets *RMB'000*	Total *RMB'000*	Adjustments and eliminations *RMB'000*	Consolidated *RMB'000*
SEGMENT REVENUE					
External sales	6,250,867	2,770,034	9,020,901	–	9,020,901
Inter-segment sales	58,062	–	58,062	(58,062)	–
Total	6,308,929	2,770,034	9,078,963	(58,062)	9,020,901
SEGMENT PROFIT	355,025	1,014,779	1,369,804	–	1,369,804
Share of result of a joint venture					(3,403)
Fair value change on equity instrument at FVTPL					(55,465)
Dividend income from equity investment at FVTPL					1,897
Impairment loss recognised in respect of goodwill					(69,587)
Gain on deemed disposal of a joint venture					10,000
Loss on derecognition of a subsidiary					(255,651)
Unallocated directors' emoluments					(13,930)
Unallocated central administrative costs					(27,303)
Unallocated legal and professional expenses					(2,053)
Profit before tax					954,309

2. **REVENUE AND SEGMENT INFORMATION** — *Continued*

Operating Segments — *Continued*

(i) Segment revenue and results — Continued

For the year ended 31 December 2022 (restated)

	The PRC markets *RMB'000*	Overseas markets *RMB'000*	Total *RMB'000*	Adjustments and eliminations *RMB'000*	Consolidated *RMB'000*
SEGMENT REVENUE					
External sales	7,250,607	1,238,528	8,489,135	–	8,489,135
Inter-segment sales	29,355	–	29,355	(29,355)	–
Total	7,279,962	1,238,528	8,518,490	(29,355)	8,489,135
SEGMENT PROFIT	1,301,824	324,631	1,626,455	–	1,626,455
Share of result of a joint venture					(6,407)
Fair value change on equity instrument at FVTPL					(69,588)
Dividend income from equity investment at FVTPL					2,956
Unallocated directors' emoluments					(9,537)
Unallocated central administrative costs					(28,868)
Unallocated legal and professional expenses					(1,712)
Profit before tax					1,513,299

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 3. Segment profit represents the profit earned by each segment without allocation of share of result of a joint venture, fair value change/dividend income on equity investment at FVTPL, impairment loss recognised in respect of goodwill, gain on deemed disposal of a joint venture, loss on derecognition of a subsidiary, central administrative costs, legal and professional expenses and directors' emoluments. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

The CODM makes decision according to the operating results of each segment. No analysis of segment asset and segment liabilities is presented as the CODM does not regularly review such information for the purposes of resources allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

2. REVENUE AND SEGMENT INFORMATION — *Continued*

Operating Segments — *Continued*

(ii) Other segment information

For the year ended 31 December 2023

	The PRC markets *RMB'000*	**Overseas markets** *RMB'000*	**Consolidated** *RMB'000*
Depreciation and amortisation			
— property, plant and equipment	**964,477**	**305,400**	**1,269,877**
— right-of-use assets	**18,595**	**23,307**	**41,902**
— mining rights	**16,347**	**24,939**	**41,286**
— other intangible assets	**5,255**	**688**	**5,943**
Impairment loss (reserved) recognised in profit or loss in respect of:			
— loan receivables	**(3,795)**	**–**	**(3,795)**
— trade and other receivables	**43,162**	**(20,878)**	**22,284**
Interest income	**82,556**	**5,633**	**88,189**
Finance costs	**201,888**	**105,951**	**307,839**
Gain on disposal of property, plant and equipment	**(4,768)**	**(542)**	**(5,310)**
Loss on disposal of right-of-use assets	**1,213**	**–**	**1,213**
Loss on disposal of mining rights	**2,306**	**–**	**2,306**
Reversal of inventories	**(929)**	**–**	**(929)**

2. REVENUE AND SEGMENT INFORMATION — *Continued*

Operating Segments — *Continued*

(ii) Other segment information — Continued

For the year ended 31 December 2022

	The PRC markets *RMB'000*	Overseas markets *RMB'000*	Consolidated *RMB'000*
Depreciation and amortisation			
— property, plant and equipment	1,005,777	219,906	1,225,683
— right-of-use assets	18,200	66	18,266
— mining rights	41,784	–	41,784
— other intangible assets	3,754	411	4,165
Impairment loss recognised in profit or loss in respect of:			
— loan receivables	53,038	–	53,038
— trade and other receivables	13,879	1,968	15,847
Interest income	166,729	2,169	168,898
Finance costs	256,189	160,427	416,616
Loss (gain) on disposal of property, plant and equipment	12,569	(855)	11,714
Gain on disposal of right-of-use assets	(58)	–	(58)
(Reversal of) write-down of inventories	(104)	3,118	3,014

Geographical Information

The Group's operations are mainly located in the PRC and Africa for both years. Information about the Group's revenue from external customers is presented based on the location of the markets.

	2023 *RMB'000*	2022 *RMB'000*
The PRC	**6,250,867**	7,250,607
Africa	**2,710,740**	1,130,732
Others	**59,294**	107,796
	9,020,901	8,489,135

2. REVENUE AND SEGMENT INFORMATION — *Continued*

Geographical Information — *Continued*

The proportion of the Group's non-current assets (excluding financial instruments and deferred tax assets) by locations is as follows:

	2023	2022
	RMB'000	*RMB'000*
The PRC	**11,097,801**	12,442,580
Africa	**12,298,744**	9,494,177
Others	**892,385**	114,009
	24,288,930	22,050,766

No single customer contributed 10% or more to the Group's revenue for both years ended 31 December 2023 and 2022.

3. OTHER INCOME

	2023	2022
	RMB'000	*RMB'000*
Tax refund *(Note a)*	**97,041**	99,253
Government grant, including release from deferred income *(Note b)*	**41,080**	349,703
Dividend income from equity investment at FVTPL	**1,897**	2,956
Other	**2,701**	–
	142,719	451,912

Notes:

(a) The tax refund mainly represents incentives in the form of value added tax ("VAT") refund approved by the relevant government authorities as a result of utilising industrial waste as part of the production materials.

(b) During the year ended 31 December 2021, owing to the need of better urban reservation, one of the Group's subsidiaries had been approached by the government to close its existing manufacturing plant located in the city. The subsidiary received approximately RMB502,000,000 from the local government in return for the demolition work as well as the compensation for its loss incurred. During the year ended 31 December 2022, the demolition work was completed and included in the government grant represented an amount of approximately RMB308,482,000 subsidy received as a result of demolition work.

4. OTHER GAINS AND LOSSES, NET

	2023	2022
	RMB'000	*RMB'000*
Fair value change on equity instrument at FVTPL	**(55,465)**	(69,588)
Impairment loss recognised in respect of goodwill	**(69,587)**	–
Loss on disposal of mining rights	**(2,306)**	–
Net foreign exchange gain	**45,601**	37,058
Loss on derecognition of a subsidiary	**(255,651)**	–
Gain on deemed disposal of a joint venture	**10,000**	–
Gain (loss) on disposal of property, plant and equipment	**5,310**	(11,714)
Fair value change on investment in entrusted product	**–**	5,736
Hyperinflation restatement	**47,567**	–
Others	**(3,137)**	(13,946)
	(277,668)	(52,454)

5. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL

	2023	2022
	RMB'000	*RMB'000*
Impairment losses recognised (reversed) on:		
— trade receivables	**21,940**	17,993
— loan receivables	**(3,795)**	53,038
— other receivables	**344**	(2,146)
	18,489	68,885

6. INTEREST INCOME

	2023	2022
	RMB'000	*RMB'000*
Interest income from:		
— loan receivables	**66,339**	107,356
— amount due from a joint venture	**3,010**	36,120
— bank deposits	**18,840**	25,422
	88,189	168,898

7. FINANCE COSTS

	2023	2022
	RMB'000	*RMB'000*
Interest on:		
— bank loans	**288,798**	180,038
— other long-term payables	**42,629**	51,338
— senior notes	**220,676**	209,780
— medium-term notes	**34,569**	64,515
	586,672	505,671
Less: amount capitalised	**(295,316)**	(110,335)
	291,356	395,336
Unwinding of discount	**16,483**	21,280
	307,839	416,616

Borrowing costs capitalised during the year arose on general borrowing by applying capitalisation rates at 5.27% (2022: 4.93%) per annum to expenditure on qualifying assets.

8. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging (crediting):

	2023	2022
	RMB'000	*RMB'000*
Depreciation and amortisation:		
— Depreciation of property, plant and equipment	**1,269,877**	1,225,683
— Depreciation of right-of-use assets	**41,902**	18,266
— Amortisation of mining rights	**41,286**	41,784
— Amortisation of other intangible assets	**5,943**	4,165
Total depreciation and amortisation	**1,359,008**	1,289,898
Recognised in cost of sales	**(280,238)**	(240,775)
Capitalised in inventories	**(904,728)**	(938,666)
	174,042	110,457
Staff costs (including directors' emoluments):		
— Salaries and allowances	**865,719**	719,334
— Retirement benefits	**67,362**	57,228
Total staff costs	**933,081**	776,562
Recognised in cost of sales	**(74,284)**	(62,435)
Capitalised in inventories	**(429,460)**	(352,094)
	429,337	362,033
Research and development costs recognised as an expense (included in cost of sales)	**335,335**	380,304
Auditors' remuneration	**7,340**	5,375
Cost of inventories recognised as expenses	**5,871,954**	5,620,777
(Reversal of) write-down of inventories (included in cost of sales)	**(929)**	3,014
Donations (included in other expenses)	**21,097**	6,464
Legal and professional fees (included in other expenses)	**52,667**	28,695
Provision for administrative penalty (included in other expenses and other long-term payables)	**119,616**	29,778

9. INCOME TAX EXPENSE

	2023	2022
	RMB'000	*RMB'000*
Current tax:		
PRC enterprise income tax ("EIT")	**66,264**	169,090
Ethiopia Profits Tax	**199,145**	12,837
Hong Kong Profits Tax	**–**	48,098
Withholding tax	**58,864**	56,000
Others jurisdictions	**32,558**	6,663
	356,832	292,688
Under (over) provision in prior years:		
PRC EIT	**23,150**	(13,981)
Hong Kong Profits Tax	**(64,018)**	–
	(40,868)	(13,981)
Deferred tax:		
Current year	**(47,355)**	(109,523)
Income tax expense	**268,608**	169,184

10. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to owners of the Company is based on the following data:

	2023	2022
	RMB'000	*RMB'000*
Profit for the year		
Profit for the year attributable to the owners of the Company for the purposes of basic and diluted earnings per share	**421,278**	1,214,746

	2023	2022
	'000	*'000*
Number of shares		
Number of ordinary shares for the purpose of basic earnings per share	**5,438,883**	5,438,883
Effect of dilutive potential ordinary shares from share options issued by the Company	**–**	3,026
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**5,438,883**	5,441,909

The computation of diluted earnings per share in 2023 does not assume the exercise of all share options (2022: certain share options) because the adjusted exercise price of those options was higher than the average market price for shares for both years.

11. LOAN RECEIVABLES

	2023	2022
	RMB'000	*RMB'000*
Loans collateralised by property, plant and equipment *(Note a)*	**375,596**	526,776
Loans collateralised by receivables *(Note b)*	**502,300**	427,800
Small loans *(Note c)*	**8,900**	24,739
	886,796	979,315
Less: Allowance for credit losses	**(249,019)**	(252,814)
	637,777	726,501
Analysed as:		
Current	**241,668**	324,654
Non-current	**396,109**	401,847
	637,777	726,501

11. LOAN RECEIVABLES — *Continued*

Notes:

(a) As at 31 December 2023 and 2022, the Group has entered into certain arrangements (the "Arrangements") with the third parties for periods ranging from one to four years under which:

   (i) The third parties transferred the ownership titles of their certain assets to the Group and leased back those assets;

   (ii) The shareholders of the third parties provided guarantees for the due performance of the obligations of the third parties under the Arrangements; and

   (iii) Upon discharging all the obligations by the third parties under the Arrangements, the Group will return the ownership title of the assets to the lessees automatically.

   Despite the Arrangements involving a legal form of a lease, the Group accounted for the Arrangements as collateralised loans in accordance with the financial arrangement under IFRS 9 prior to 1 January 2019. Upon application of IFRS 16, the Group continues to recognise loan receivables within the scope of IFRS 9 as the transfer does not satisfy the requirement of IFRS 15 as a sale. All interest rates inherent in the Arrangements are fixed at the contract dates over the contract terms.

(b) The loans collateralised by receivables are with fixed interest rates at the contract dates over the contract terms. The interests are receivable periodically based on contractual terms. All principals are receivable upon maturity dates.

(c) Balance represents the small loans provided to small and medium sized enterprises or individuals. The interests are receivable periodically according to the contractual terms with fixed interest rate with principal to be collected on maturity dates or by instalments.

The Group periodically carry out inspection on the collateralised assets of the borrowers. During the years ended 31 December 2023 and 2022, the Group did not identify any significant deterioration of the quality of the collateralised assets.

The contractual maturity dates of the Group's fixed-rate loan receivables are as follows:

	2023	2022
	RMB'000	*RMB'000*
Within one year	**241,668**	324,654
In more than one year but not more than two years	**396,109**	401,847
	637,777	726,501

The ranges of effective rates on the Group's loan receivables were 8% to 15% (2022: 8% to 15%) per annum as at 31 December 2023.

All of the Group's loan receivables are denominated in RMB.

During the years ended 31 December 2023 and 2022, the Group had agreed to extend the loan maturity date with certain borrowers and the corresponding borrowings had been reclassified and presented as non-current. As at 31 December 2023, carrying amount of loan receivables of RMB543,507,000 (net of allowance of RMB243,289,000) (2022: RMB629,660,000 (net of allowance of RMB247,986,000)) were considered past due despite the extension of repayment due date.

12. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2023 *RMB'000*	2022 *RMB'000*
Trade receivables	**1,333,019**	1,254,034
Trade receivables backed by bills	**401,636**	463,468
	1,734,655	1,717,502
Less: Allowance for credit losses	**(201,578)**	(179,659)
	1,533,077	1,537,843
Other receivables *(Note)*	**1,198,171**	738,405
Less: Allowance for credit losses	**(1,190)**	(846)
	1,196,981	737,559
VAT recoverable	**276,295**	440,077
VAT refund receivable	**4,680**	22,205
Prepayments to suppliers	**298,927**	271,483
	3,309,960	3,009,167
Less:		
Non-current portion of other deposits (included in "Other receivables" above)	**(134,637)**	(18,472)
	3,175,323	2,990,695

Details of trade receivables pledged are set out in Note 50.

Note: Included in other receivables represented balances of approximately RMB372,990,000 (2022: RMB337,261,000) due from non-controlling interests of subsidiaries.

As at 1 January 2023, trade receivables from contracts with customers amounted to RMB1,254,034,000.

12. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS — *Continued*

The following is an aged analysis of trade receivables, excluding bills held by the Group, presented based on the date of delivery of goods which approximated the respective dates on which revenue was recognised.

	2023	2022
	RMB'000	*RMB'000*
0 to 90 days	**600,152**	552,685
91 to 180 days	**227,533**	230,693
181 to 360 days	**183,777**	173,541
361 to 720 days	**243,000**	180,156
Over 720 days	**78,557**	116,959
	1,333,019	1,254,034

As at 31 December 2023, included in trade receivables backed by bills represents total bills received amounting to RMB126,031,000 (2022: RMB243,240,000) are held by the Group, which were further endorsed by the Group. As the Group has not transferred substantially all the risks and rewards relating to these receivables, it continues to recognise their full carrying amounts and the corresponding trade payables.

The Group allows a credit period of 90 to 180 days to its certain trade customers. Before accepting any new customer, the Group uses a credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed once a year.

As at 31 December 2023, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB557,825,000 (2022: RMB535,088,000) which are past due as at the reporting date. Out of the past due balances, RMB338,623,000 (2022: RMB311,745,000) has been past due longer than 90 days and is not considered as in default taking into account these debtors' high credit ranking attributable under the credit scoring system used by the Group. The Group does not hold any collateral over these balances.

13. BORROWINGS

	2023	2022
	RMB'000	*RMB'000*
Bank loans		
— Secured	**4,164,874**	3,224,264
— Unsecured	**2,187,343**	1,390,186
	6,352,217	4,614,450
Carrying amount repayable as follows:		
— within one year	**3,632,813**	3,156,533
— more than one year but not more than two years	**560,814**	220,100
— more than two years but not more than five years	**1,735,176**	639,093
— within a period of more than five years	**423,414**	598,724
	6,352,217	4,614,450
Less: Amount due for settlement within one year and shown under current liabilities	**(3,632,813)**	(3,156,533)
Amounts shown under non-current liabilities	**2,719,404**	1,457,917

The analysis of the terms of the bank loans were as follows:

	2023	2022
	RMB'000	*RMB'000*
Fixed rate borrowings:		
— repayable within one year	**3,466,213**	3,082,733
— repayable more than one year but not more than two years	**282,014**	150,300
— repayable more than two years but not more than five years	**879,685**	48,693
— repayable more than five years	**345,414**	334,838
Variable rate borrowings		
— repayable within one year	**166,600**	73,800
— repayable more than one year but not more than two years	**278,800**	69,800
— repayable more than two years but not more than five years	**855,491**	590,400
— repayable within a period of more than five years	**78,000**	263,886
	6,352,217	4,614,450

13. BORROWINGS — *Continued*

The ranges of effective interest rates on the Group's bank loans are as follows:

	2023	2022
Effective interest rate per annum:		
Fixed rate borrowings		
— The PRC	**0.70% to 6.48%**	0.75% to 6.48%
— Africa	**7.00% to 17.0%**	7.00% to 16.50%
Variable rate borrowings		
— The PRC	**3.65% to 6.75%**	3.85% to 5.30%

The Group's variable rate borrowing carry interest that reference to loan prime rate in the PRC.

In respect of a bank loan with carrying amount of RMB1,515,611,000 as at 31 December 2023 (2022: RMB414,486,000) raised by 堯柏特種水泥集團有限公司 Yaobai Special Cement Group Co., Ltd.* ("Shaanxi Yaobai"), 陝西柏宏歐利塑業有限公司 Shaanxi Baihong Ouli Suye Company Limited* ("Baihong Ouli") and Great Lake Cement SAS ("Great Lake Cement"), subsidiaries of the Company, these subsidiaries are required to comply with the following financial covenants throughout the continuance of the relevant loan and/or as long as the loan is outstanding:

Shaanxi Yaobai

- the ratio of debts to total assets shall not be more than 0.7:1;
- the ratio of contingent debts to equity shall not be more than 0.5:1; and
- the operating cashflow shall not be negative for two consecutive years.

Baihong Ouli

- the ratio of debts to total assets shall not be more than 0.75:1;
- no addition of contingent liabilities without the permission from the respective bank.

Great Lake Cement SAS

- Debtor Service Cover Ratio ("DSCR") shall not be less than 1.5:1 starting from the 2nd anniversary of the date of the borrowing to the final maturity date (i.e. 12 August 2024).

DSCR means, (1) the aggregate of the earnings before interest, tax, depreciation and amortisation (EBITDA) minus capital expenditure minus charge in working capital and the current cash balance; to (2) the mounts of repayment, interests and any related costs fall due during the period.

The above entities have complied with these covenants throughout the reporting period.

Included in borrowing represents carrying amount of RMB1,430,000,000 (2022: RMB1,229,400,000) jointly guaranteed by either Mr. Zhang Jimin, the executive director or Mr. Zhang Jimin and his wife.

14. TRADE AND OTHER PAYABLES

	2023	2022
	RMB'000	*RMB'000*
Trade payables	**1,966,030**	2,067,923
Bill payables	**313,000**	11,300
	2,279,030	2,079,223
Payables for constructions and equipment purchase	**1,929,682**	1,651,309
Other tax liabilities	**152,862**	171,473
Payroll and welfare payable	**67,515**	84,594
Interest payables	**41,221**	2,076
Consideration payable	**24,300**	55,500
Other payables	**254,580**	442,389
Deposits payables	**84,510**	122,990
Other long-term payable — current portion	**291,729**	267,848
	5,125,429	4,877,402

The following is an aged analysis of trade payables (excluding those bills issue by the Group for settlement which are due within six months to one year based on the issuance date) presented based on the date of delivering of goods at the end of the reporting period.

	2023	2022
	RMB'000	*RMB'000*
0 to 90 days	**848,765**	1,238,344
91 to 180 days	**317,561**	341,497
181 to 360 days	**314,355**	228,292
361 to 720 days	**288,048**	145,730
Over 720 days	**197,301**	114,060
	1,966,030	2,067,923

15. MEDIUM-TERM NOTES

On 30 April 2019, Shaanxi Yaobai registered with National Association of Financial Market Institutional Investors of the PRC to issue medium-term notes with an aggregate amount of RMB1,500,000,000.

On 5 May 2019, the first tranche of the medium-term note with principal amount of RMB500,000,000 ("First Tranche of the Medium-term Note") was issued at the interest rate of 7.50% per annum. First Tranche of the Medium-term Note is unsecured with maturity of three years and carries effective interest rate of approximately 7.58% per annum after adjusting for transaction costs of RMB4,500,000. This amount was fully repaid in 2022.

On 2 September 2020, the Group issued the second tranche of the medium-term note with principal amount of RMB700,000,000 ("Second Tranche of the Medium-term Note") which carry interest of 7% per annum with maturity date of three years from the date of 4 September 2020. The Second Tranche of the Medium-term Note carries effective interest rate of approximately 7.11% per annum after adjusted for transaction costs of RMB6,300,000. This amount was fully repaid in 2023.

	2023	2022
	RMB'000	*RMB'000*
Carrying amount at 1 January	**714,431**	1,236,416
Interest expenses	**34,569**	64,515
Interest paid	**(49,000)**	(86,500)
Repayment	**(700,000)**	(500,000)
Carrying amount at 31 December	**–**	714,431
Analysed as:		
Current liabilities	**–**	714,431

16. SENIOR NOTES

On 9 July 2021, the Company issued 4.95%, five-year senior notes with an aggregated principal amount of US$600,000,000 due in 2026 (the "Senior Notes") at 100% of the face value. The effective interest rate was approximately 5.18% per annum after adjusting for transaction costs. The Senior Notes were listed on the SEHK and guaranteed by certain subsidiaries of the Company.

According to the terms and conditions of the Senior Notes, at any time or from time to time prior to 8 July 2024, the Company may at its option redeem the notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the notes redeemed plus the applicable premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date. The applicable premium is the greater of (1) 1.00% of the principal amount of such note and (2) the excess of (A) the present value at such redemption date of the redemption price of such note at 8 July 2024, plus all required remaining scheduled interest payments due on such note (but excluding accrued and unpaid interest to the redemption date) through 8 July 2024, computed using a discount rate equal to the adjusted treasury rate plus 100 basis points, over (B) the principal amount of such note on such redemption date.

16. SENIOR NOTES — *Continued*

At any time and from time to time prior to 8 July 2024, the Company may at its option redeem up to 35% of the aggregate principal amount of the notes at a redemption price of 104.95% of the principal amount of the notes, plus accrued and unpaid interest, if any.

On or after 8 July 2024, the Company may on any one or more occasions redeem all or any part of the notes, at the redemption prices of 102.475% (if redeemed prior to 8 July 2025) or 101.238% (if redeemed on or after 8 July 2025), plus accrued and unpaid interest, if any, on the notes redeemed, to (but not including) the applicable date of redemption.

The early redemption options were regarded as embedded derivatives not closely related to the host contract. The directors of the Company considered the fair value of the Company's early redemption options at the initial recognition and at the end of the reporting period was insignificant.

Movement of carrying amount of Senior Notes is as below:

	2023	2022
	RMB'000	*RMB'000*
Carrying amount at 1 January	**4,204,158**	3,876,911
Interest expenses	**220,676**	209,780
Interest paid	**(210,175)**	(194,322)
Exchange adjustment	**109,534**	311,789
Carrying amount at 31 December	**4,324,193**	4,204,158

17. ASSETS PLEDGED FOR SECURITY

The carrying amounts of the assets at the end of each reporting period pledged to secure trade facilities and bank loans are analysed as follows:

	2023	2022
	RMB'000	*RMB'000*
Property, plant and equipment	**4,726,510**	3,380,392
Trade receivables	**1,910**	75,773
Right-of-use assets	**179,490**	177,773
Properties under development	**556,903**	–
Pledged bank deposits	**1,008,676**	561,308
	6,473,489	4,195,246

During the year ended 31 December 2022, the Group pledged its equity interests in three subsidiaries, Guizhou Linshan, Mianxian and Xiushan Yaobai, to the bank to secure a banking facility totalling RMB150,000,000 for a period of one year which has already been drawn down as at 31 December 2022. As at 31 December 2023, the borrowings were fully repaid and the pledge had been released upon the repayment of the borrowing to the bank.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

The Group faced a tough operating environment in the year ended 31 December 2023. Sales volume in PRC remained stable and have decreased slightly by 0.6% as compared with that of 2022. On the other hand, sales volumes in Mozambique have increased by 4.9% as compared with that of 2022 and the plants in Democratic Republic of the Congo ("D.R. Congo") and Ethiopia have contributed approximately 1.53 million tons of cement sales during the year. The Group's sales volumes of cement and clinker for the year ended 31 December 2023 remained stable, which was 20.5 million tons, representing a 6.2% increase from 19.3 million tons recorded in 2022.

As a result of the declining demand of cement in PRC during the year, average selling prices ("ASPs") in Shaanxi, Guizhou and Xinjiang decreased. The Group has continued to implement efficiency enhancements and cost- cutting measures and has been able to maintain the costs at a comparatively stable level in 2023. In addition to the greater margins from Mozambique, D.R. Congo and Ethiopia, the Group's overall margins remained stable in 2023.

The Group has maintained healthy cash flows, with EBITDA of RMB2,948.6 million for the year ended 31 December 2023, which is moderately lower than that of RMB3,176.4 million recorded in 2022.

Operating Environment

In 2023, as a result of the weak global economy recovery, high inflation as well as a complex and severe external international environment, the PRC economy recovery has been relatively slow as compared with that of 2022. The performance of the infrastructure investment was slowing down, while the property investment was deteriorating, leading to a decline in the demand of cement in PRC. On the other hand, in order to control the air pollution and preserve the blue sky, the environmental management of atmospheric pollution and the local environmental control remained stringent. As a result, the effect of various policies such as peak-shifting production halts and mine comprehensive regulations are more favorable to balance the supply and demand of the cement industry.

Both Fixed Asset Investment ("FAI") and Real Estate Development Investment ("RDI") growth rates deteriorated in PRC in 2023. The FAI and the RDI increased by 0.2% (2022: 8.1%) and decreased by 14.8% (2022: 4.2%) in Shaanxi Province during 2023, respectively. The deteriorated FAI and RDI growth rates have overall led to a decline in the demand for cement products in Shaanxi Province. Fortunately, intense competition from the supply side is still a strong factor affecting the ASPs in Shaanxi Province, which continued to be balanced through the occasional peak-shifting production halts during low season periods under the stringent environmental policy.

As a result of the greater margins contributed from the plants in Africa, the Group was able to maintain overall stable margins in 2023 even though under the abovementioned impact of low ASPs in PRC. Another important factor contributing to the Group's stable margins was the maintenance of the costs at a stable level, which resulted from the Group's successful implementation of efficiency enhancements and cost-cutting measures during the year.

Shaanxi Province

The Group's operations and markets in Southern Shaanxi remained reasonable and stable during 2023. The supply side has remained rational, as a result of little new capacity and effective closure of obsolete and small-scale clinker kiln and cement grinding capacity over recent years, as well as long transportation distances from other regions. The Group has effectively maintained strong market leadership in this area, promoting a disciplined supply side.

During the year, demand in this region has remained reasonable, supported by continued growth in railway and expressway infrastructure project construction. The Ankang to Langao Expressway, the Wuxi to Zhenping Expressway, the Micang Avenue, the Xi'an to Ankang High-Speed Railway and the Ankang to Chongqing High-Speed Railway, have been, amongst others, particularly important demand drivers; and the constructions of the Hanzhong to Bazhong to Nanchong High-Speed Railway, the Lushi to Luanchuan Expressway, Kangxian to Lueyang Expressway, the Cangxi to Bazhong Expressway, the Chengkou to Kaizhou Expressway, the Luonan to Lushi Expressway, the Danfeng to Ningshan Expressway, the Yuehe Hydropower Station and the Tuxikou Reservoir have also supported the demand. Rural and urban development in Southern Shaanxi have continued to be supported by the Hanjiang to Weihe River Water Transport Project which has been important for both cement demand and development in this region.

The demand in Central Shaanxi market has remained low, especially in the Xi'an Metropolitan market. This low demand scenario has been exacerbated by the imbalance between supply and demand already existing in the area. Fortunately, through the continuation of occasional peak-shifting production halts during low season periods under the stringent environmental policy and the continuous recovery and expedited infrastructure construction demand as a result of the government's economic stimulating policies, the abovementioned imbalance was mitigated.

During the year, the Group has continued to maintain its market share in Eastern Xi'an, Yaowangshan, Fuping County and the rest of Weinan District where urbanisation remains a key demand driver. The Group has also supplied cement to a number of infrastructure projects, including the constructions of the Huaneng Power — Coal Transportation Railway, the Hancheng to Huanglong Expressway, the Beijing to Kuming Expressway, the Xi'an Metro/Municipal Projects, the Eastern Xi'an Railway Station, the Dongzhuang Reservoir and the Hanjiang to Weihe River Water Transport Project (Phase II). The largest projects, the Xi'an to Yan'an High-Speed Railway and the Xi'an to Shiyan High-Speed Railway, have consumed over 570,000 tons and 760,000 tons of cement in 2023, respectively.

Sales volumes in Shaanxi have decreased slightly by approximately 4.1% to approximately 14.1 million tons in 2023 (2022: 14.7 million tons) and have been accompanied by decreased ASPs. During the year, the Group has recorded a decrease of approximately 17.5% in cement ASPs in Shaanxi to approximately RMB269 per ton (2022: RMB326 per ton) (excluding VAT), with a capacity utilization rate at approximately 65% (2022: 68%).

Xinjiang & Guizhou Provinces

Operations at the Group's plant in Xinjiang have been stable in 2023. Sales volume in Xinjiang has increased by approximately 20.3% to approximately 1.96 million tons (2022: 1.63 million tons). During the year, sales volume in Xinjiang have increased as a result of the increase in the infrastructure projects. The Group has recorded a slightly decreased cement ASPs of approximately RMB415 per ton (2022: RMB428 per ton) (excluding VAT), with a capacity utilization rate at approximately 56% (2022: 47%).

In Guizhou, the Group's plant contributed approximately 1.05 million tons of cement to the total sales volume as compared to that of 0.91 million tons in 2022, which represented an increase of approximately 15.4%. During the year, the Group has recorded a decreased cement ASPs in Guizhou of approximately RMB369 per ton (2022: RMB403 per ton) (excluding VAT), with a capacity utilization rate at approximately 58% (2022: 51%). The imbalance between demand and supply in Guizhou was even exacerbated by the continuation of decreasing demand scenario. The sales volumes at the Huaxi Plant have already been better than other locations in Guizhou due to its location being in close proximity to Guiyang City and the Guiyang — Anshun ("Gui-An") New Area.

Mozambique

The Group built a cement plant in Mozambique, a "window" country in South Africa, in close compliance with the "Belt and Road" development policy of the PRC and to seize the opportunity brought by the "Go Global" policy to maximize the cement production capacity. The Mozambique plant was commissioned in December 2020. Sales volume of cement and clinker in Mozambique have increased by 4.9% to 1.49 million tons (2022: 1.42 million tons). During the year, both sales volume and ASPs in Mozambique have increased as a result of the new capacity entering the market successfully by stopping the import of the cement and clinker from international market. The Group has recorded an increased cement ASPs at approximately RMB663 per ton (2022: RMB552 per ton) (excluding VAT), with capacity utilization rate at approximately 84% (2022: 79%).

Democratic Republic of the Congo

The Great Lakes plant is a production line with a capacity of 3500-ton clinker and cement per day and approximately 1.50 million tons of cement per year, equipped with limestone mines, coal mines, power stations and wharfs. The Great Lakes plant is located in the city of Kalemie in the eastern region of the Democratic Republic of the Congo ("D.R. Congo"). Our cement sales cover Kalemie and neighboring countries and regions such as Rwanda, Burundi and western Tanzania. These market areas are relatively undeveloped and there is no large-scaled cement production line. With Lake Tanganyika as the center, the area where the plant is situated has a large population density and high population growth, which can ensure a certain market demand for cement. In addition to the potential of the civilian market, there are a large amount of unexploited mineral resources in the underneath and surrounding areas of Lake Tanganyika, which, once developed in the future, will directly drive related infrastructure and economic development, generating significant demand for cement. All markets covered can be reached mainly by water transportation from the lake, supported by truck transportation on land. The Great Lakes plant was commissioned in December 2022. During the year, the Group had to build four cargo ships to deliver the cement and clinker across the lake to the markets in other countries, the sales of cement was therefore significantly impacted by this transportation issue. As a result, the Group has recorded cement ASPs at approximately RMB1,272 per ton (2022: Nil) (excluding VAT) and sales volume of 167,000 tons (2022: Nil), with capacity utilization rate at approximately 11% (2022: Nil).

Ethiopia

Given the strategic layout in the African market, the Group is optimistic about the long-term development of the Ethiopian market. In 2022, the Group acquired National Cement plant with a capacity of 1.3 million tons of cement per year, the plant was then upgraded and commissioned in November 2022. During the year, the Group has recorded cement ASPs at approximately RMB872 per ton (2022: RMB748 per ton) (excluding VAT) and sales volume of 1.36 million tons (2022: 0.18 million tons), with capacity utilization rate at approximately 104% (2022: 84%).

Energy Conservation, Emissions & Environmental Protection Solutions

The Group continues to work towards the best of industry standards in regards to energy conservation, emission controls and the further development of environmental protection solutions. All of the Group's production facilities employ New Suspension Preheater technology. The plants are situated in close proximity to their respective limestone quarries and, at many of the plants, limestone conveyor belt systems are used in order to minimize emissions from transportation. The Group has also been the first cement producer in Shaanxi Province to use desulfurized gypsum and construction waste as raw material inputs to some of its cement products, and regularly recycles fly ash from power plants as well as slag from iron & steel plants as inputs to some of its cement products.

The Group has residual heat recovery systems installed at most of its production facilities. As at 31 December 2023, these systems were in operation at 13 out of 19 production lines. These systems reduce the Group's production lines' electricity consumption by approximately 30% and reduce carbon dioxide emissions by approximately 22,000 tons per million tons of cement production.

The Group has already completed the installation of de-nitration equipment at all of the Group's plants in Shaanxi, Xinjiang and Guizhou Provinces. This equipment reduces nitrogen oxide ("NOx") emissions by approximately 60% per ton of clinker produced, bringing NOx emissions to within the new standards stipulated by the Cement Industrial Air Pollution Emissions Standards. Modifications of production lines to meet particulate matter ("PM") emission standards have been completed, resulting in all of the Group's plants in China having been upgraded to meet new PM emission standards as well. Moreover, the Group has effectively reduced the emission of dust through the technical renovation of the kiln-head and kiln-end dust collectors and also further reduced the emission of nitrogen oxide and the consumption of ammonia water through the implementation of de-nitration spray guns and automated technological innovation.

The Group's plants that are capable of treating dangerous and hazardous waste currently include (i) the Municipal Waste Treatment Facility at the Group's Fuping Plant with capacity of 100,000 tons per year, which has been operating since March 2016; (ii) the Solid Waste Treatment Facility at the Group's Mianxian Plant with capacity of 16,500 tons per year, which has been operating since October 2017, ; and (iii) the Solid Waste Treatment Facility at the Group's Moyu Plant with capacity of 80,000 tons per year, which has been operating since August 2022. In 2024, the Group will continue to actively look for new opportunities in setting up cement kilns co-processing solid waste disposal projects in response to the development need of China's recycling economy and relevant specific policies for the industry, as well as taking into account of the specific conditions in the solid waste market of Shaanxi.

During the year, the Group performed certain environmental protection related tasks. Firstly, the Group formulated the Benchmarking Checklist of Environmental Protection Regulations and Standards, carried out in-depth environmental protection inspections and provided environmental protection training to the leaders and cadres of the inspected units in accordance with the inspection conditions. Secondly, the Group's Safety and Environment Department insisted on conducting quarterly inspections of the Group's self-monitoring reports, pollution discharge permit implementation reports and environmental management accounts. Thirdly, each production unit took stock of the amount of hazardous waste disposed of and stored in the previous year, estimated the types and amount of hazardous waste likely to be generated in 2023, and completed the preparation and filing of the annual management plan for hazardous waste. Fourthly, the Group's Safety and Environment Department prepared a reference template for hazardous waste labelling in accordance with the new standards issued by the Ministry of Ecology and Environment, and organised self-checks and study sessions for each unit. Fifthly, we verified the oxygen content recorded by online monitoring from our cement production units in Shaanxi Province, to ensure that the online equipment is airtight and the monitoring data is true and valid. Sixthly, the Group's Safety and Environment Department took the lead in organising a group-wide inspection of sewage outfalls, blocking and rectifying sewage outfalls, and regulating the installation of rainwater outfalls.

Moreover, all plants in the PRC were already refurbished as garden like plants in the preliminary stage and the Group will further develop the garden like plants to meet the environmental policy requirements. Green limestone mines projects, including soil reclamation and mine re-greening, have been already commenced construction to comply with the environmental policy. For each major unit in our mines, an annual monitoring plan has been formulated specifically, and monitoring work on areas such as landscape, slope deformation, soil and water pollution, soil quality, reclamation and vegetation has started in accordance with the plan, so that the orderly progress of mine recovery and land reclamation has been ensured. The Group will continue to implement the green mine projects to reduce the pollution to the soil and mines during mining in order to comply with the government policy of "managing while mining" in the future.

Financial leasing business

In 2017, Guangxin International Financial Leasing Co., Ltd ("Guangxin International"), a wholly-owned subsidiary of the Group, was approved by the Ministry of Commerce of the People's Republic of China (the "PRC") as a licensed lessor. In 2017, Guangxin International commenced a new financial leasing business under the support of the national policies of the PRC government, in order to ride on the rapid development opportunities present in the financial leasing industry.

Guangxin International entered into certain financial leasing arrangements under which Guangxin International received ownership titles of certain assets from third parties and then leased those assets back to such third parties. The ownership title of those assets would be returned to the third parties upon discharge of all their obligations under the financial leasing arrangements. Guangxin International also entered into certain entrusted loan and loans collateralised by receivables with third parties with fixed interest rates over the term of the contract. The aforementioned financial leasing arrangements were accounted as loan receivables.

In 2023, the Group recorded loan receivables of approximately RMB637.8 million (2022: RMB726.5 million) arising from the abovementioned financial leasing business and interest income derived from loan receivables amounted to approximately RMB66.3 million for the year ended 31 December 2023 (2022: RMB107.4 million). The Group intends to continue the operations of the financial leasing business, however, the Group expects the capital deployed as well as the size of such business will be gradually decreased.

Safety and Social Responsibility

The Group's safety and environmental protection department continuously monitors and reviews safety procedures in accordance with evolving environmental and safety regulations in the PRC. In 2023, the Group has focused its EHS (Environmental, Health & Safety) efforts on revising and improving the safety emergency response plan by employing independent safety experts to strengthen the handling capacity of all employees in emergency accidents. Moreover, several handbooks and guidelines were revised significantly to improve the work safety measures as well as numerous of safety related training courses were initiated to strengthen the staff's safety awareness. In addition, the Group will continue to implement a "Sustainable Safety Development Project", which involved continuous training for both management and on- site employees, on-site inspections and audits, stringent safety reports and on-going suggestions for safety improvements at all of the Group's plants.

During the year, charitable donations made by the Group amounted to approximately RMB21.1 million, including donations made in sponsoring deprived students for college education as well as supporting education, sports and cultural events.

PROSPECTS

In 2024, the global economic environment is becoming more complex, and the domestic economic operation faces new difficulties and challenges. The central government will adhere to the keynote of seeking progress while maintaining stability, fully, accurately and comprehensively implement the new development concept, accelerate the construction of a new development pattern, increase macroeconomic policy control, and promote effective improvement in quality and reasonable growth in quantity.

In 2024, in terms of infrastructure, the government will further play a leading role in investment and accelerate the issuance and use of local government special bonds. Infrastructure investment is expected to continue its trend of growth and constantly provide important support for boosting cement demand. Real estate investment will remain low, adversely affecting cement market demand. However, the state emphasizes that it will adjust and optimize real estate policies in a timely manner, make good use of the policy toolbox for city-based policies, better meet residents' rigid and improved housing needs, and increase the construction and supply of affordable housing. It will also actively and steadily promote the transformation of urban villages and the construction of "both leisure and emergency" public infrastructure in very large cities and megacities, and promote the gradual stabilization of the real estate market, so that the demand for cement on the real estate end may improve in 2024. At the same time, peak-shifting production in the cement industry will continue to be a norm, but its marginal effect on improving the supply-demand relationship will weaken.

In terms of investment and development, the Group will comprehensively coordinate the development of its main business and the extension of its upstream and downstream industrial chains, steadily promote its international development strategy, strengthen risk identification and control, establish and improve mid- and long-term overseas development plans, improve its overseas project operation and management mechanisms, and actively build a diversified cooperation model. In terms of operation and management, the Group will pay close attention to domestic and international macroeconomic situations, streamline management, and improve operational quality and efficiency. Firstly, we will thoroughly study market supply conditions and implement differentiated marketing strategies so as to stabilize prices, expand volume and increase efficiency on the basis of a stable market share; secondly, we will concentrate the raw materials, coordinate the both domestic and international markets, stabilize and expand direct supply channels and reduce comprehensive procurement cost; thirdly, we will strengthen the cost control of all staff, all elements, all value chains and all life cycles, strictly control all costs and expenses, and comprehensively reduce the company's operating costs; fourthly, we will firmly establish the concept of green development and deploy ultra-low emission transformation of production lines in advance, while strengthen the cultivation of professional talents in the "dual carbon" field, carbon market policy research, and the research and application of carbon reduction and abatement technologies, so as to explore cost-effective carbon emission control paths; fifthly, we will accelerate the promotion and application of intelligent factory construction results and continuously improve the level of intelligent manufacturing; sixthly, we will further promote the strategy of strengthening the corporate through talent, make every effort to optimize the talent structure and integrate company resources to improve the quality of talent training, so as to add inexhaustible momentum to the Group's high-quality and sustainable development.

Operations — Shaanxi

Under the current macroeconomic conditions in the PRC and Shaanxi Province, the Group does not expect to see a significant increase in demand in 2024. Infrastructure demand is expected to grow reasonably and there are a number of major new projects that have commenced or will commence in 2024, but significant growth is not expected. Both urban property demand and rural demand is expected to remain stable with continued urbanization trends supporting rural growth rates.

With regards to the supply side, the Group expects stable prices in 2024, as a result of the limited supply under the increasingly stringent environmental policies imposed by the government.

In Central Shaanxi, the continuation of occasional peak-shifting production halts during low season periods under the stringent environmental policy are expected to remain as an important feature and this can support ASPs. There are a number of infrastructure projects that have recently started or are expected to start construction in 2024, including the constructions of several Central Shaanxi Intercity Railways, the High-Speed Railway from Yanan to Yulin to Eerduosi, several expressways, the Guxian Reservoir and the Fuping pumped storage hydro power plant.

In Southern Shaanxi, the Group expects to maintain its relatively stable performance due to reasonable infrastructure construction activities and an already disciplined supply side. There are a number of infrastructure projects in Southern Shaanxi which have recently started or are expected to start construction in 2024, including the constructions of the High-Speed Railway from Lanzhou to Hanzhong to Shiyan, several expressways, the Hengkou Reservoir, the Xingping Reservoir and two pumped storage hydro power plants in Shangluo and Shanyang. The Group expects to see certain demand from a number of infrastructure projects in 2024 and beyond.

Operations — Xinjiang & Guizhou

Operations in Xinjiang and Guizhou are likely to remain subdued in 2024. With the elimination of the use of low grade (32.5) cement since May 2017 in Xinjiang, which led to the closure of inefficient facilities with small production capacity as well as the occasional peak-shifting production halts during low season periods under the stringent environmental policy, the Group can see a more stable market of the cement industry since then. In Southern Xinjiang, where the Group's Moyu Plant is located with 2.0 million tons of capacity, there are a number of on-going infrastructure projects, which are expected to contribute to support the demand in 2024 and beyond. These include the constructions of the second phase of water conservancy project and the expansion of the Yutian airport. Moreover, in Northern Xinjiang, the production volume and ASPs of the 1.5 million-ton Yili Plant remained low. The Group expects to see higher volume sold from the Yili Plant and a stable pricing in 2024 with the support of certain coming infrastructure projects, i.e. the Lanzhou to Xinjiang Railway (Jinghe to A La Shankou Section), the Jinghe to Yining Expressway. In Guizhou, sales volume is declining due to the imbalance between demand and supply which is even exacerbated by the continuously decreasing demand scenario and the Group expects that the scenario may continue for a certain period. As a result of the Group's strategic change to the production of special cement, the Group expects that the ASPs and margins will be improved in 2024 because of the sales of more special cement at higher ASPs. Moreover, the 1.8 million-ton Huaxi Plant was located close to Guiyang City Centre and the Group expects it can keep benefiting from its location advantage, with a continuation of better volume than other locations in Guizhou in 2024 and beyond.

Operations — Mozambique, D.R Congo & Ethiopia

Since the official launch of sales in Mozambique in 2021, through two years of market operation, channel construction and brand building work, the overall development has continued to be positive. Remote markets and overseas export business are also on track. The overall cement production capacity distribution and basic layout in Mozambique in 2024 are not expected to change significantly, while the civil segment in the southern market has stabilized. 2024 focus will be on the sales of cement and clinker in the central and northern parts of the country and overseas (South Africa, Zimbabwe and Madagascar). The Group expects that the sales volume will increase with stable ASPs.

In D.R. Congo, the Great Lakes plant can export clinker, cement and other products to surrounding countries such as Burundi, Rwanda, and western Tanzania. In the Lake Tanganyika regions, there are currently only one old cement plant and four grinding stations. All regions are actually facing a shortage of clinker and the Group expects that the market demand is strong. The import of clinker in these regions mainly comes from Tanzania, Zambia and other countries and the clinker quantity is unstable. The Group expects that the Great Lakes plant can quickly occupy the market through its stable quality and lower price strategy in 2024.

The current market demand of cement in Ethiopia is strong. The Group can foresee several key projects such as new capital city construction and airport construction, as well as infrastructure such as state-level highway and railway construction in the regions of Addis Ababa, Amhara and Oromia, which in turn will gradually increase the cement demand. The Group expects that both sales volumes and ASPs will increase gradually with these long-term demand increment.

Capacity Development

Ethiopia

Given the strategic layout in the African market, the Group is optimistic about the long-term development of the Ethiopian market. With the strong support of the local governments at all levels, the Group has built a new production line with a daily production capacity of 10,000 tons of clinker in Lemi, Amhara State, Ethiopia, following the acquisition of the National Cement plant. The production line is built by the new dry-process pre-decomposition production technology with an annual production capacity of 5 million tons of cement. The market for the Lemi project extends to the regions of Addis Ababa, Amhara and Oromia. The major markets in such regions focus on key projects such as new capital city construction and airport construction, as well as infrastructure such as state-level highway and railway construction. Currently, the average selling price of cement in the region is approximately US$120 per ton. The Lemi plant is expected to commence production in the second quarter of 2024.

The Lemi project has gained strong support from the government in terms of preferential income tax, priority provision of land and mine resources. Upon the completion of the project, the Group's advantages in technology, management and cost, coupled with the great demand for cement in Ethiopia in the future, will lay a foundation for the Group's subsequent expansion in the Ethiopian market.

Uzbekistan

With a relatively stable political situation and a fast-growing economy, Uzbekistan has the largest population in Central Asia, ranking second in terms of total GDP. The government has improved its economic reform and considered economic development as the main objective. A series of policies to improve key areas such as road traffic, communications and social infrastructure have resulted in long-term favorable national demand for cement. Uzbekistan has both oil and gas resources, with 100 million tons of proved reserves of petroleum, 190 million tons of proved reserves of condensate and 3.4 trillion cubic meters of proved reserves of natural gas. The development of oil and gas resources has fostered a great market potential for the special cements required for oil and gas cementing.

Based on the aforementioned belief of the long-term growth of the Uzbekistan market, the Group has built a new production line with a daily production capacity of 6,000 tons of clinker in Andijon viloyati, which will produce 2.4 million tons of cement per annum, using the internationally advanced New Generation II dry process cement production line technology. Currently, the average selling price of cement in the region is approximately US$50 per ton. The Andijon plant is expected to commence production in the second quarter of 2024.

The Group expects to seize the development opportunities through the abovementioned production capacity development, and continuously improve the international market layout to realize the Group's target of high-quality and sustainable development.

Costs Control

The Group will continue to implement a number of cost control measures, which are expected to benefit the control of cost of sales and selling, general and administrative expenses in 2024. These measures include administrative and head office cost cuts and staff incentives to promote efficient use of raw materials and resources.

Environment, Health & Safety

Plant upgrades to meet new NOx and PM emission standards as stipulated by the Cement Industrial Air Pollution Emissions Standards law have now been completed at all of the Group's plants and the Group will continue to further reduce emissions through incremental upgrades. The Group plans to further implement measures to strengthen environmental management and monitoring during 2024 and will continue to implement the "Sustainable Safety Development Project". Moreover, the Group will continue to implement the green mine project to all our limestone mines to reduce the pollution to the soil and mines during mining in order to comply with the PRC government policy of "managing while mining" in the future.

In an effort to comply with the PRC government's decision to plan for ecological civilization construction, the Group will sustain its implementation of environmental protection technological modification, increase environmental protection investment, carry out forward-looking development and application of cutting-edge environmental protection technologies, so as to consolidate its comparative advantage. Committed to being innovation-driven, the Group will push forward technology upgrade and modification that meet the requirements for intelligentization, informatization, and environmental protection; it will enhance the development and application of new technologies by accelerating the transformation of research outcome into innovations; it will step up efforts to push forward the construction of smart factories, and to strengthen its core competitiveness.

FINANCIAL REVIEW

Revenue

The Group's revenue increased by 6.3% from RMB8,489.1 million for the year ended 31 December 2022 to RMB9,020.9 million for the year ended 31 December 2023. Cement sales volume increased by 7.0%, from approximately 18.5 million tons to approximately 19.8 million tons during the year. Including clinker sales, total sales volume for the year ended 31 December 2023 amounted to approximately 20.5 million tons, compared to the 19.3 million tons sold in 2022.

Overall cement prices were slightly higher than those in 2022, and this has resulted in slightly higher revenue. Cement ASPs for the year ended 31 December 2023 were RMB360 per ton as compared with RMB358 per ton in 2022. The reasons for these fluctuations in ASPs are discussed in the "Operating Environment" section above.

Other than the above increase in cement sales revenue, the revenues arising from the sales of aggregates and commercial concrete decreased and increased by approximately 32.6% and 1.6%, as a result of the decrease in both ASPs and sales volume of aggregates and as a result of the net effect of decrease in ASPs and increase in sales volume of commercial concrete, to RMB159.0 million and RMB720.5 million, for the year ended 31 December 2023, respectively.

Cost of Sales

Cost of sales increased by 4.0% from RMB6,307.3 million for the year ended 31 December 2022 to RMB6,560.1 million for the year ended 31 December 2023.

Coal costs were decreasing in the PRC during the year because the supply and production of coal were continuously keeping at a relatively high level as a result of the increase in import of coal under the zero import tax policy and the increase in local coal supply under the guaranteed supply policy implemented by the PRC government. In addition to the decrease in the demand of coal under the slowing down recovery of economic activities, the coal prices dropped from approximately RMB1,100 per ton in December 2022 to approximately RMB824 per ton in December 2023. The average cost per ton of coal decreased by approximately 15.5% to approximately RMB878 per ton from approximately RMB1,039 per ton in 2022. These have resulted in a cost decrease of approximately RMB18.3 per ton of total cement produced and a total coal costs decrease by approximately 11.0% as compared with that of 2022.

The average cost per ton of limestone remained stable at approximately RMB16.9 per ton during the year (2022: RMB16.9 per ton). However, the average prices of other raw materials were increasing over the year. Even though the cement sales volume increased by only 7.0%, the total raw materials costs increased by approximately 17.8% and the raw materials costs increased by approximately RMB6.4 per ton of total cement produced, as compared with that of 2022.

The total staff cost increased by approximately 18.9% as compared with that of 2022, which was approximately an increase of RMB1.6 per ton of total cement produced, as a result of the increase in the production capacities.

As to other items in the costs balance, the balance mainly represented certain environmental related expenses, i.e. sewage fee, environmental protection fee, charged by the government, and safety fee as well as overhaul expense. Other costs in total increased by approximately 12.8% as compared with that of 2022, which was approximately an increase of RMB0.9 per ton of total cement produced, as a result of the increase in the production capacities.

There have been no significant changes in the depreciation cost and electricity cost during the year.

Moreover, as mentioned in the revenue analysis above, as a result of the decrease and increase in the sales volumes of aggregates and commercial concrete by 12.2% and 9.8%, respectively, the costs arising from the production of aggregates and commercial concrete also decreased and increased by 8.4% and 0.8% to RMB74.1 million (2022: RMB80.9 million) and RMB622.2 million (2022: RMB617.4 million), during the year, respectively.

Gross Profit and Gross Profit Margin

Gross profit increased by RMB278.2 million, or 12.8%, from RMB B2,181.8 million for the year ended 31 December 2022 to RMB2,460.0 million for the year ended 31 December 2023. The increase in gross profit was mainly due to the increase in both ASPs and sales volume as described above. Gross profit margins increased from 25.7% for the year ended 31 December 2022 to 27.3% for the year ended 31 December 2023.

Other Income

Other income mainly comprises VAT refunds, which is a form of government incentive for the recycling of industrial waste as production input, and other government grants. Other income decreased by approximately 69.0% from RMB451.9 million for the year ended 31 December 2022 to RMB142.7 million for the year ended 31 December 2023. The decrease in the balance was mainly because the government grants decreased by RMB308.6 million or 88.2% to RMB41.1 million as there was a subsidy of RMB308.5 million received from the demolition work of a plant in 2022 but no such kind of subsidy was recorded in 2023.

Administrative and Selling & Marketing Expenses

Administrative expenses primarily included staff costs, general administrative expenses, depreciation and amortization. The amount increased by 31.7% from RMB604.8 million for the year ended 31 December 2022 to RMB796.4 million for the year ended 31 December 2023. Selling & marketing expenses increased by 76.1% from RMB75.2 million to RMB132.4 million for the year ended 31 December 2023 as compared with that of 2022. The increase in administrative expenses were mainly attributable to the increase in the respective administrative expenses related to the development of the businesses in Africa. The increase in selling and marketing expenses were mainly due to the increase in expenses in relation to the sale of properties under development starting in this year and the increase in respective selling expenses related to the new business in Africa.

Other Expenses

Other expenses primarily included the donations and legal and professional fees and the provision for administrative penalty. The amount increased by RMB135.5 million from RMB64.9 million for the year ended 31 December 2022 to RMB200.4 million for the year ended 31 December 2023. The increase was mainly due to the increase in the legal and professional fees to RMB52.7 million (2022: RMB28.7 million) as a result of the increase in business development activities and the further provision for administrative penalty made by Shaanxi Administration for Market Regulation for violation of relevant anti-trust law provisions in the central Shaanxi market of RMB119.6 million (2022: RMB29.8 million) recorded during the year.

Other Gains and Losses, net

Other losses increased by RMB225.2 million from RMB52.5 million for the year ended 31 December 2022 to RMB277.7 million for the year ended 31 December 2023. The increase was mainly due to the net effect of the following factors. Firstly, there was a loss on derecognition of a subsidiary of RMB255.7 million for the year ended 31 December 2023 (2022: nil). The loss primarily included the impairment loss in respect of inter-group receivables in the amount of approximately RMB265.9 million due from Kangding Paomashan Cement Co., Ltd. (康定跑馬山水泥有限責任公司) ("Paomashan"). Paomashan is in bankruptcy liquidation proceedings, it is estimated that the Group will not be able to recover all receivables due from Paomashan. Secondly, a gain on deemed disposal of a joint venture of RMB10.0 million (2022: Nil) was recorded during the year. Thirdly, there was a hyperinflation restatement regarding the subsidiary in Ethiopia of RMB47.6 million (2022: Nil) recorded during the year. Finally, there was an impairment loss recognised in respect of goodwill of RMB69.6 million (2022: Nil) during the year.

Impairment losses under expected credit loss model, net of reversal

The balance decreased by RMB50.4 million from RMB68.9 million for the year ended 31 December 2022 to RMB18.5 million for the year ended 31 December 2023. The decrease was mainly due to the reversal of impairment of RMB3.8 million during the year (2022: impairment of RMB53.0 million) as a result of the decrease in loan receivables and the increase in impairment loss on trade receivables to RMB21.9 million during the year (2022: RMB18.0 million) as a result of the impact of the weak PRC economy recovery to certain clients.

Interest Income

Interest income decreased by RMB80.7 million from RMB168.9 million for the year ended 31 December 2022 to RMB88.2 million for the year ended 31 December 2023. The decrease was mainly due to the net effect of (i) the decrease in the interest income arising from the loan receivables business to RMB66.3 million (2022: RMB107.4 million) as a result of the decrease in loan receivables business, (ii) the decrease in interest income arising from the amount due from the joint venture to RMB3.0 million (2022: RMB36.1 million) as the joint venture was deemed disposed during the year and (iii) the decrease in the interest income arising from the bank deposits to RMB18.8 million (2022: RMB25.4 million) as a result of the decrease in the bank balance after the proceed from the issuance of senior notes in July 2021 was used in 2022.

Finance Costs

Finance costs decreased by RMB108.8 million, or 26.1%, from RMB416.6 million for the year ended 31 December 2022 to RMB307.8 million for the year ended 31 December 2023. The decrease was mainly due to the increase in the capitalized interest for the construction in progress during the year.

Income Tax Expense

Income tax expenses increased by RMB99.4 million, from RMB169.2 million for the year ended 31 December 2022 to RMB268.6 million for the year ended 31 December 2023. Current income tax expense plus over provision increased by RMB37.3 million to RMB274.6 million (2022: RMB278.7 million), whereas deferred tax credit decreased by RMB62.1 million to RMB47.4 million (2022: RMB109.5 million).

The decrease in deferred tax credit was mainly due to the net effect of the increase in the deferred tax assets arising from the unused tax losses and the withholding tax on undistributed profits as well as the increase in deferred tax liabilities arising from the other long- term payables.

The detailed income tax expenses for the Group are outlined in Note 9 to the consolidated financial statements above.

Profit Attributable to the Owners of the Company

Profit attributable to the owners of the Company decreased from RMB1,214.7 million for the year ended 31 December 2022 to RMB421.3 million for the year ended 31 December 2023. This is primarily due to the net effect of the increase in gross profit, the decrease in the government grant, the increase in the loss on derecognition of a subsidiary, the increase in impairment loss recognised in respect of goodwill as well as the increases in the provision of administrative penalty as mentioned above.

Basic earnings per share decreased from RMB22.4 cents for the year ended 31 December 2022 to RMB7.7 cents for the year ended 31 December 2023.

FINANCIAL AND LIQUIDITY POSITION

As at 31 December 2023, the Group's total assets increased by 8.8% to RMB32,902.9 million (2022: RMB30,239.3 million) while total equity increased by 5.8% to RMB14,168.0 million (2022: RMB13,391.8 million).

As at 31 December 2023, the Group had bank balances and cash as well as restricted/ pledged bank deposits, amounting to RMB2,120.3 million (2022: RMB2,045.9 million). After deducting total borrowings, medium term notes ("MTN") and senior notes ("SN") of RMB10,676.4 million (2022: RMB9,533.0 million), the Group had net debt of RMB8,556.1 million (2022: RMB7,487.1 million). 78.3% (2022: 78.4%) of borrowings are at a fixed interest rate. Moreover, the Group also held loan receivables of RMB637.8 million (2022: RMB726.5 million) at fixed interest rates. Please refer to Notes 11, 13, 15, 16 and 17 to the consolidated financial statements above for the details of the loan receivables, bank borrowings, MTN, SN and the respective pledge of assets.

As at 31 December 2023, the Group's net gearing ratio, measured as net debt to equity, was 60.4% (2022: 55.9%). Consistent with industry norms, the Group continuously monitors its gearing ratio and manages its capital to optimise the cost of capital and to safeguard the Group's ability to continue as a going concern. As at 31 December 2023, the Group has net current liabilities position of approximately RMB1,999.6 million. As at 31 December 2023, the Group has unused banking facility of approximately RMB1,167.3 million, which is available for drawdown and utilisation in the course of ordinary business from the date of the approval of these consolidated financial statements. Subsequent to 31 December 2023, the Group has obtained additional banking facilities of approximately RMB484.7 million, which is made available for the Group to utilise at the date of granting such facilities. Moreover, the Group had been in negotiation with certain banks which are willing to grant additional banking facilities to the Group. As at the date of this annual results announcement, the Group received banking facility proposals totalling RMB2,123.6 million from various banks. The Group expects to generate sufficient operating cash flow which enable the Group to meet its obligation when it falls due in the foreseeable future.

During the year, there was no material change in the Group's funding and treasury policy.

CONTINGENT LIABILITIES

As at 31 December 2023, the Group had no material contingent liabilities.

CAPITAL EXPENDITURE AND CAPITAL COMMITMENT

Capital expenditure, measured as the additions of property, plant and equipment, right-of-use assets and mining rights, for year ended 31 December 2023 amounted to RMB3,986.1 million (2022: RMB3,669.4 million). Capital commitments as at 31 December 2023 amounted to RMB2,668.3 million (2022: RMB3,283.4 million). Both capital expenditure and capital commitments were mainly related to the maintenance and upgrading of existing production facilities as well as the construction of new production facilities in Ethiopia, Democratic Republic of the Congo and Uzbekistan. The Group has funded these commitments from operating cash flow and available banking facilities.

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2023, the Group employed a total of 8,297 (2022: 7,736) full-time employees. Compensation for the employees includes basic wages, variable wages, bonuses and other staff benefits. For the year ended 31 December 2023, employees benefit expenses were RMB933.1 million (2022: RMB776.6 million). The remuneration policy of the Group is to provide remuneration packages, in terms of basic salary, short term bonuses and long term rewards such as options, so as to attract and retain top quality staff. The remuneration committee of the Company reviews such packages annually, or when the occasion requires. The executive Directors, who are also employees of the Company, receive compensation in the form of salaries, bonuses and other allowances.

MATERIAL ACQUISITIONS AND DISPOSALS

The Group had no other material acquisitions or disposals during the year ended 31 December 2023.

FOREIGN EXCHANGE RISK MANAGEMENT

During the year ended 31 December 2023, the Group's sales, purchases, loans receivables, restricted/pledged deposit, bank balances and cash, medium-term notes and bank borrowings were mainly denominated in Renminbi. Moreover, the Group's other long term payables and senior notes were denominated in United States Dollars as well as several intercompany balances between the subsidiaries were denominated in different functional currencies, i.e. Meticais and Ethiopian Birr. Renminbi, Meticais and Ethiopian Birr are not freely convertible currencies. Future exchange rates of the Renminbi, Meticais and Ethiopian Birr could vary significantly from the current or historical exchange rates as a result of controls that could be imposed by the PRC government, Mozambique government and Ethiopia government. The exchange rates may also be affected by economic developments and political changes on a domestic and/or international level, and the demand and supply of Renminbi, Meticais and Ethiopian Birr. The appreciation or depreciation of Renminbi, Meticais and Ethiopian Birr against foreign currencies may have an impact on the operating results of the Group. The Group currently does not maintain a foreign currency hedging policy. However, the management team of the Company will continue to monitor foreign exchange exposure and will consider hedging its foreign currency exposure should the need arise.

CREDIT RISK MANAGEMENT

The Group's credit risk is primarily attributable to its trade receivables and loan receivables. It is the risk of loss arising from a customer's, a lessee's or counterparty's inability to meet its obligations.

The Group has made various efforts to control credit risks. In accordance with the policy of the Group, it will only enter into transactions with recognized and creditworthy customers, lessees and counterparties. In respect of its financial leasing business, it would examine and verify the credit risk of all lessees and counterparties that the Group has financial leasing, factoring, entrusted loan and small loan arrangements with. In respect of its main cement business, it would carry out credit assessment before entering into contracts with its customers and build credit records of its customers, in order to mitigate credit risk and reduce the overdue receivables.

In addition, the Group will also carry out regular reviews on the trade receivables and loan receivables balances and will write off bad debts, if any. The maximum exposure to credit risk arising from its financial leasing business equals to the carrying amount of the loan receivables.

DIVIDEND

At the Board meeting held on 18 March 2024, the Directors proposed to recommend the payment of a final dividend of RMB0.023 per ordinary share for the year ended 31 December 2023.

The final dividend of RMB0.023 per ordinary share is subject to approval by the shareholders at the forthcoming annual general meeting of the Company to be held on 24 May 2024 (Friday), and will be paid to the shareholders whose names appear on the register of members of the Company at the close of business on 4 June 2024 (Tuesday).

There is no arrangement that a shareholder of the Company has waived or agreed to waive any dividends.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held on 24 May 2024 (Friday). A notice convening the annual general meeting will be despatched to the shareholders of the Company in the manner required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") in due course.

CLOSURE OF REGISTER OF MEMBERS

In order to be eligible for attending and voting at the forthcoming annual general meeting of the Company to be held at 24 May 2024 (Friday), all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 20 May 2024 (Monday). The register of members of the Company will be closed from 21 May 2024 (Tuesday) to 24 May 2024 (Friday), both days inclusive, during which period no transfer of shares will be registered.

In addition, for the purpose of determining shareholders who qualify for the final dividend, the register of members will be closed from 31 May 2024 (Friday) to 4 June 2024 (Tuesday), both dates inclusive. In order to qualify for the proposed final dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 30 May 2024 (Thursday). Subject to shareholders' approval of the proposed final dividend at the annual general meeting to be held on 24 May 2024 (Friday), the final dividend will be paid on or around 31 July 2024 (Wednesday) to shareholders whose names appear on the register of members of the Company at the close of business on 4 June 2024 (Tuesday).

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standards of corporate governance practices and procedures with a view to being a transparent and responsible organization which is open and accountable to the shareholders of the Company. These can be achieved by an effective Board, segregation of duties with clear accountability, sound internal control, appropriate risk assessment procedures and transparency of the Company. The Board will continue to review and improve the corporate governance practices from time to time to ensure the Group is led by an effective Board in order to optimize returns for the shareholders of the Company.

The Company has applied the principles of and has complied with all applicable code provisions as set out in Part 2 of Appendix C1 of the Listing Rules during the year ended 31 December 2023.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set forth in Appendix C3 of the Listing Rules as its own code of conduct for dealing in securities by the Directors. Specific enquiries have been made with all the Directors and each of them has confirmed and declared that they have complied with the required standards as set out in the Model Code during the year ended 31 December 2023.

PURCHASE, REDEMPTION OR SALES OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2023, neither the Company nor any of its subsidiaries had purchased, sold or redeemed the Company's listed securities.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") has been established in compliance with Rules 3.21 and Rules 3.22 of the Listing Rules and with written terms of reference in compliance with the Corporate Governance Code as set forth in Appendix C1 of the Listing Rules. The primary duties of the Audit Committee are to review and monitor the financial reporting and internal control principles of the Company and to assist the Board to fulfill its responsibilities over audit. During the year ended 31 December 2023, the Audit Committee consists of four independent non-executive Directors, namely Mr. Lee Kong Wai Conway, Mr. Zhu Dong, Mr. Tam King Ching Kenny and Mr. Feng Tao (appointed on 28 February 2023). Mr. Lee Kong Wai Conway is the chairman of the Audit Committee. The Audit Committee has reviewed the Group's consolidated financial statements for the year ended 31 December 2023.

SCOPE OF WORKS OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the audited consolidated financial statements of the Group for the year as approved by the Board of Directors on 18 March 2024. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

PROPOSED AMENDMENTS TO MEMORANDUM AND ARTICLES OF ASSOCIATION AND PROPOSED ADOPTION OF THE AMENDED AND RESTATED MEMORANDUM AND ARTICLES OF ASSOCIATION

The Board announces that it proposed to amend the existing memorandum and articles of association of the Company (the "**Existing Memorandum and Articles**") and to adopt the amended and restated memorandum and articles of association of the Company incorporating the amendments (the "**Amended and Restated Memorandum and Articles**") for the purpose of, among others, (i) updating and bringing the Existing Memorandum and Articles in line with the latest regulatory requirements in relation to the expanded paperless listing regime and the electronic dissemination of corporate communications by listed issuers which took effect from 31 December 2023; and (ii) incorporating certain housekeeping changes. The proposed amendments and the adoption of the Amended and Restated Memorandum and Articles are subject to the approval of the shareholders of the Company by way of a special resolution at the forthcoming annual general meeting of the Company. A circular containing, among other things, particulars relating to the proposed amendments to the Existing Memorandum and Articles brought about by the adoption of the Amended and Restated Memorandum and Articles together with a notice convening the forthcoming annual general meeting will be despatched to the shareholders of the Company on or around 22 April 2024 (Monday).

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

The annual results announcement is published on the websites of the Company (www.westchinacement.com) and The Stock Exchange of Hong Kong Limited (www.hkexnews.hk). An annual report of the Company for the year ended 31 December 2023 containing all the information required by the Listing Rules will be despatched to shareholders of the Company and will be made available on the abovementioned websites in due course.

By Order of the Board
West China Cement Limited
Zhang Jimin
Chairman

Hong Kong, 18 March 2024

As at the date of this announcement, the executive Directors are Mr. Zhang Jimin, Mr. Cao Jianshun, Mr. Wang Fayin and Mr. Chu Yufeng, the non-executive Directors are Mr. Ma Zhaoyang, Mr. Fan Zhan and Mr. Wang Zhixin, and the independent non-executive Directors are Mr. Lee Kong Wai, Conway, Mr. Zhu Dong, Mr. Tam King Ching, Kenny and Mr. Feng Tao.

* *For identification purposes only*